

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

REC'D TN
REGULATORY AUTH.

'99 AUG 17 PM 3 02

IN RE: Proceeding for the Purpose of
Addressing Competitive Affects of Contract
Service Arrangements Filed by BellSouth
Telecommunications, Inc. In Tennessee

)
)
)

Docket No. 98-00559

EXECUTIVE SECRETARY

STIPULATION AS TO ADMISSION OF DOCUMENTS INTO EVIDENCE

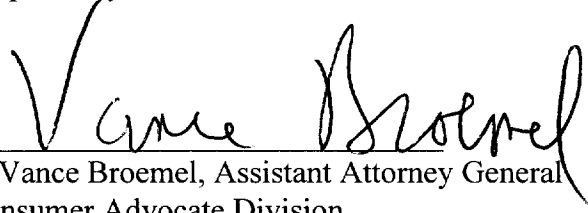
BellSouth Telecommunications, Inc. ("BST") and The Consumer Advocate Division stipulate and agree that the following documents, produced by BST in response to discovery requests and identified by Bates stamped numbers, may be introduced and admitted into the evidentiary record in this proceeding, without further authentication, and that these documents are no longer subject to the Protective Order heretofore entered:

- 000003	- 000425-000427
- 000005	- 000577
- 000006	- 000592-000594
- 000024	- 000616
- 000025	- 000630
- 000026	- 000894
- 000053	- 000912
- 000071-000072	- 000916
- 000074	- 000936
- 000084	- 000941
- 000090	- 001183
- 000092	- 001193
- 000104	- 001194
- 000170-000182	- 001228-001229
- 000184	- 001231
- 000186-000188	- 001271
- 000387-000390	

Copies of the documents covered by this stipulation are attached, and additional copies will be provided at the hearing in the same manner as any exhibit.

This 17 day of August, 1999.

Respectfully submitted,



L. Vance Broemel, Assistant Attorney General
Consumer Advocate Division
Attorney General's Office
425 5th Ave. North
Nashville, TN 37243



Guy M. Hicks, Esq.
BellSouth Telecommunications, Inc.
333 Commerce Street, Suite 2101
Nashville, TN 37201-3300

Certificate of Service

Comes the Consumer Advocate Division to respectfully certify that this document was served on the parties listed below by U.S. Mail or Hand-delivered on this ____ day of August 1999.

Guy M. Hicks
BellSouth Telecommunications, Inc.
333 Commerce St., Suite 2101
Nashville, TN 37201-3300

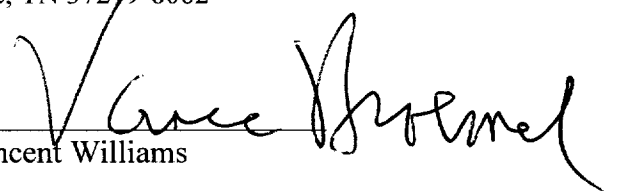
Carolyn Tatum Roddy
Sprint
3100 Cumberland Circle, N0802
Atlanta, GA 30339

Charles Welch
Farris, Matthews, et al.
511 Union St.
Nashville, TN 37219

Henry Walker
Boult, Cummings, Conners & Berry
P.O. Box 198062
Nashville, TN 37219-8062

James Lamoureux, or
AT&T
1200 Peachtree St., NE
Atlanta, GA 30309


John Hastings
Boult, Cummings, Conners & Berry
P.O. Box 198062
Nashville, TN 37219-8062



L. Vincent Williams

William Flad

07/24/98 10:54 AM

To: P T. Stinson@O1=TN/O2=NASH02 @ omgw @ BLS
cc: Randall Frame@BCI, Robert Reynolds@O1=TN/O2=NASH02 @ omgw, Mike Smith@BCI, Shirley Ransom@BCI
Subject: Termination Liability for [REDACTED] V&T Agreement 

Paul:

As we discussed, I'm sending you some high level financials to support the termination liability for this agreement. I have detailed reports available to support these figures. Bottom line is in Tennessee, we projected a net contribution of \$[REDACTED] over 3 years. If the customer terminates at the end of year 1, we lose \$[REDACTED] in contribution. If they terminate in year 2, we lose \$[REDACTED]. Comparing our potential loss to the customer's termination liability (\$[REDACTED]K end of year 1 and \$[REDACTED]K end of year 2), the termination liability doesn't begin to cover our loss if the contract is terminated early.

Please call me Monday to discuss further. My number is 404-893-4856.

Thanks,

Bill


[REDACTED] TermLiab

P T. Stinson@O1=TN/O2=NASH02 on 07/23/98 02:28:43 AM



P T. Stinson@O1=TN/O2=NASH02 on 07/23/98 02:28:43 AM

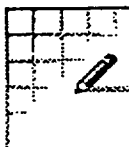
To: William Flad@BCI
cc: P T. Stinson@O1=TN/O2=NASH02 @ omgw, Randall Frame@BCI, Robert Reynolds@O1=TN/O2=NASH02 @ omgw, Mike Smith@BCI
Subject: Regulatory Question on CSA AL98-2463-00

Bill,

Please review the attached letter and call me to discuss. I will be traveling extensively until Friday afternoon, so please page me at 888-953-2726.

Paul

000003

 Douglas Heintz
07/24/98 03:58 PM

To: Carrie Butler@BCI, Randall Frame@BCI
cc:
Subject: V&T - [REDACTED]

Charles Boyd has requested a V&T for [REDACTED]. Attached is an outline of the key points to the Agreement.


This account bills over \$700,000 each year and has less than \$1,000 per month under contract. There is a potential for selling a Frame Relay network with annual billing of \$132,000. This sale would increase the overall contribution associated with this account from [REDACTED]% to [REDACTED]%.

Given the amount of revenue, the potential Frame Relay network sale that would improve the contribution, I feel the 7% discount and 8% AGIA (to encourage the customer to buy the Frame Relay network) is appropriate.

Please let me know if you agree and I will cover with Charles.
Thanks,
Doug


V&T Key Points - [REDACTED]

000005

 Douglas Heintz
07/28/98 04:22 PM

To: Randall Frame@BCI, Carrie Butler@BCI
cc:
Subject: V&T - [REDACTED]

Betsy Pipkin has requested a V&T for [REDACTED]. Attached is an outline of the key points to the Agreement.


This account bills \$1.3M annually and very little of the revenue (\$37.7K) is under contract. The overall contribution associated with this account is [REDACTED] %.


Given the amount of revenue, the level of contribution and the fact that so little of the revenue is under contract, I feel an 8% discount and an 8% AGIA are appropriate.

Please let me know if you agree and I will cover with Betsy.
Thanks,
Doug



V&T Key Points - [REDACTED]

000006

 Douglas Heintz
08/06/98 04:07 PM

To: Randall Frame@BCI, Carrie Butler@BCI
cc:
Subject: V&T - 

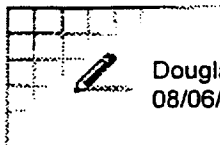
Rebecca Treace has requested a V&T for . Attached is an outline to the key points to the agreement.

This account bills \$7 million annually and has an overall contribution of %. Only \$24,000 in annual billing is under contract. Considering these facts, I feel that a 10% discount and a 10% AGIA is appropriate.

Please let me know if you agree and I will cover with Rebecca.
Thanks,
Doug


V&T Key Points - 

000024



Douglas Heintz
08/06/98 04:26 PM

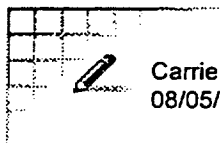
To: Carrie Butler@BCI
cc: Randall Frame@BCI
Subject: Re: V&T Proposals

Carrie,

I will look at an alternative tiered approach for [REDACTED].

As for [REDACTED]..... The V&T is designed to give customers a discount off of actual billing. We have never done up front signing bonuses. Given the intent and strategy behind these agreements I think that we want to get into an arrangement where we would give the customer a cash signing bonus in advance of billing. The administration would be more difficult and collecting the advance, should the customer terminate the agreement, would be very difficult.

Thanks,
Doug
Carrie Butler



Carrie Butler
08/05/98 01:21 PM

To: Douglas Heintz@BCI
cc: Randall Frame@BCI
Subject: V&T Proposals

Doug,

Charles Boyd, was asking some questions concerning the V&T proposals for [REDACTED] and [REDACTED] and I wanted to run them by you.

[REDACTED]

They want to look at a tiered approach with the discount and agia. 7% was approved with an 8% agia, can you look at this and propose an inovative way so the customer feels we are trying to keep their business. They also want the wording stricken from the contract regarding the annual revenue commitment for years 2 and 3 would be 95% of the previous years actual V&T Eligible Service billing. The competition is US Lec, they are proposing a 20% cut in their local service.

[REDACTED]

[REDACTED] is wanting a much sweeter deal. They want to receive the discount up front along with a signing bonus. They wish the signing bonus to read:

1% additional discount for year 1
7% additional discount for year 2
6% additional discount for year 3

I am not sure if you all have looked at doing any signing bonuses, just let me know. The problem with this

000025

is if they decide to go to a reseller then BellSouth loses everything. Let me know your thoughts.

Both customers did state that they wanted to stay with BellSouth, they just wanted to see a more win win deal from us.

Thanks
Carrie



Jane Risse
04/03/98 08:48 AM

.....

To: Jeanie Lackey@BCI, Fran Lyons@BCI, Randall Frame@BCI, PaulJ Parker@BCI, Jan Tygrett@BCI,
Ohma Brown@BCI, Ed Sarrat@BCI, Jeff Parsons@BCI, Cindy Selfridge@BCI
cc:
Subject: Re: Waive non-recurring on Frame Relay

Jeanie Lackey

Fran,

I handle Special Assembly issues for both North and South Carolina. You may already have had others respond to your request, but there are a few things I wanted you to know about for sure:

1. I believe your VP should be the one to approve discounts for your customers, however, for both Carolina's, Jack McMahon is the State VP.
2. I noticed on your list that there are a couple of Independent Company locations on your spreadsheet for the Carolinas, such as Matthews (Alltel) and Durham (GTE). We cannot discount their portion of the circuits without their concurrence. This will take Independent Relations involvement (Gary Barlow 205-321-2930). He has to negotiate these discounts with each Independent Company. Just as info, most recently, the Independents in North Carolina are not willing to discount.
3. There are flexible pricing discount models in SAMS you need to use when processing these requests. You will also need to forward your spreadsheet to Market Based Pricing and Economic Analysis. (Marvin Landry, Cherybe Thornton, Bill Drescher)
4. If you want to include a waiver on the Contract Preparation Charges for your SAMS CSA's, you will need to fax a copy of the Contract Preparation Charge waiver form to Bill Drescher's group.
5. If your cases in the Carolina's sell, you will need to process a SOLD package of information. Each case has to go before the PUC. I'll be glad to help you with that when you get your signed contracts. Some of the other states have a similar process with their commissions.

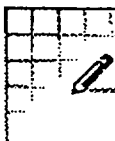
Hope this helps...I'm out of the office today, but will be back next week. If you have any other questions about the Carolina's, call me at 830-7004/704-529-7004.

Jane Risse
Jane Risse@BCI
cc:
Subject: Waive non-recurring on Frame Relay

can you respond to this?

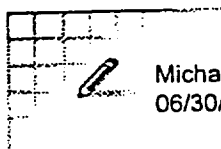
thanks

----- Forwarded by Jeanie Lackey on 04/03/98 08:56 AM -----



Fran Lyons
04/02/98 05:42 PM

000053



Michael Birchler
06/30/98 10:33 AM

To: Carrie Butler@BCI, Randall Frame@BCI, Douglas Heintz@BCI
cc: Wendy Munnell@BCI, James Stringer@BCI, Kenneth Lewis@BCI
Subject: [REDACTED] information for V&T agreement.

Dick Anderson and Jere Drummond recently met with [REDACTED] CEO and CIO to discuss possible BellSouth and [REDACTED] partnership opportunities. One action item that came out of this meeting was for us to present [REDACTED] with a volume and term agreement for their BellSouth network services. Dick Anderson has requested that we have our initial offer ready by July 17th. Dick has another meeting scheduled with the customer on July 21st.

We have attached a spreadsheet which contains all of [REDACTED] earning numbers and Dunns numbers. They currently have an annual revenue of about \$2.6M. We have also attached the summary write-up on [REDACTED]



Dunns for [REDACTED]



[REDACTED] V&T request.d

Additional Information


Please note that we negotiated a volume and term agreement with [REDACTED] last year. This agreement was to include all BellSouth regulated and de-regulated services. The current account team was not involved in this negotiation, so we do not have a lot of information on what was offered to the customer. Please refer to any past records to see what information may exist on what we offered.


Once you have had a chance to review the information, please give us a call to discuss further.

Mike Birchler	901-761-6428
Wendy Munnell	901-761-6437
Jim Stringer	901-761-6467


Thanks for your help!

000071

 Douglas Heintz
08/21/98 03:27 PM

To: Kathy Lancaster@BCI
cc: Randall Frame@BCI, Carrie Butler@BCI
Subject: Re: [REDACTED] V&T Agreement 

Kathy,
Attached is an updated outline of the V&T Agreement for [REDACTED] reflecting the decrease in billing due to the services being disconnected in Atlanta.
Call if you have questions. I'll also sent an updated contract.
Thanks,
Doug


V&T Key Points - [REDACTED]
Kathy Lancaster

 Kathy Lancaster 08/17/98 12:33 PM

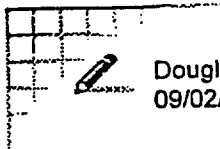
To: Douglas Heintz@BCI
cc:
Subject: [REDACTED] V&T Agreement

I pulled up the existing location in Atlanta at [REDACTED]. I am only aware on their main account number there which is [REDACTED]. They are currently billing \$5,602.48 on this account. This is to be replaced by the 3 PRI with MegaLink Plus which you included in your calculations for the V&T.

Since they will be disconnecting service at [REDACTED] and moving to [REDACTED] with their new service, does this effect their annual V&T commitment and the 7.5% discount?

Thanks.

000072



Douglas Heintz
09/02/98 03:21 PM

To: Randall Frame@BCI, Carrie Butler@BCI

cc:

Subject: V&T Agreement - [REDACTED]

Steve Simon has requested a V&T for [REDACTED]. Attached is an outline of the key points to the Agreement.

There is a direct competitive threat from ICG and from Louisville Lightwave. ICG's fiber ring is at the customer's front door, and less than \$18,000 of the existing \$544,000 in annual billing is under contract.

The account has an excellent contribution of [REDACTED] %.

I am recommending a discount of 7.5%. This may seem a little high given the volume of annual billing but I am recommending a low AGIA of 5%. I prefer to put a higher reward in the discount in an attempt to keep this customer from considering what appears to be a very serious competitive threat.

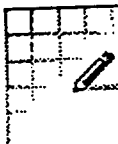
Please let me know if you agree and I will cover with Steve.

Thanks,
Doug



V&T Key Points - [REDACTED]


000074

 Pat Mello
09/14/98 12:10 PM

To: Randall Frame@BCI
cc: Kenneth Lewis@BCI
Subject: Volume and Term Agreement.

Randy, Just as information on how our customers percieve our MSA contract structure.

----- Forwarded by Pat Mello on 09/14/98 12:11 PM -----

 Charles Boyd
09/14/98 11:55 AM

To: Douglas Heintz@BCI
cc: Randall Frame@BCI, Carrie Butler@BCI, Pat Mello@BCI
Subject: Volume and Term Agreement.

Doug, please review the comments below from [REDACTED] at [REDACTED] and let's discuss.

ceb

----- Forwarded by Charles Boyd on 09/14/98 10:54 AM -----



[REDACTED] on 09/14/98 10:37:49 AM

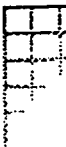

To: Charles Boyd
cc:
Subject: Volume and Term Agreement.


Thanks for taking the time to present me with the Volume and Term Agreement proposal. I have taken a considerable amount of time to review it and find that there are two aspects of the agreement that need some further discussion.

First, is the Minimum Annual Revenue Base. [REDACTED] has always preferred to use a fixed commitment for an annual base on contracts. The way that we prefer to handle this is to use a tiered discount structure from a base. This encourages [REDACTED] to increase it's business relationship to gain increasing discounts. Increasing the annual revenue base by a contract percentage (90% of previous 12 months actual V & T billing) is not acceptable.

Second, is the difference between Annual Revenue Base and Discount Eligible Services. As you know, our estimated 1998 billing to BellSouth will be in excess of \$770,000 and our Discount Eligible Billing will be approximately \$479,000. This is a strange concept to us to commit to an annual revenue number of which only 62% is discount eligible.

000084

  Douglas Heintz
09/14/98 03:50 PM

To: Randall Frame@BCI, Carrie Butler@BCI
cc:
Subject:  V&T Agreement

Attached is the  2 year V&T Agreement.

This agreement is based on the key points outlined in my e-mail of 8/21/98 with the following changes that are the result of Rebecca Trease's discussions with the customer:

- the discount has been increased from 8% to 9% and the AGIA has been eliminated. This simplifies the agreement structure and hopefully makes the discount level more attractive to the customer given the competitive offers they have seen.

- termination charges: (simplified and based on discounts received)
Termination During or at the end of Year 1 - two times the discounts received during the previous 12 months or \$700,000, whichever is greater
Termination During Year 2 - one times the discounts received during the previous 12 months

This agreement will help protect \$7M in annual revenue, of which very little is currently under contract.

Let me know if you agree and I will cover with Rebecca.
Thanks,
Doug


 V&T Agreeeme

000090

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Regulatory Considerations

Provision For Discounting Additional and New Services - would not be automatically included in the V&T Agreement; but would not be unreasonably withheld upon request from [REDACTED] to include in the Agreement.

Acquisition of New Business - the acquired services would not be automatically included in the V&T Agreement; but would not be unreasonably withheld upon request from [REDACTED] to include in the Agreement.

Authorized Users

Business Change (benefits [REDACTED])

Higher Order of Service (benefits [REDACTED])

Tariff Changes (benefits [REDACTED])

Annual True-Up

Miscellaneous

7) Following is a comparison of the savings under the old Agreement structure and the new 3 Year Agreement structure:

<u>Annual V&T Revenue</u>	<u>Annual Discount Eligible Billing*</u>	<u>New Savings**</u>	<u>Old Savings***</u>
\$ 2,600,000	\$2,074,300	\$145,200	0
\$ 2,750,000	\$2,194,000	\$164,550	\$164,550
\$ 2,900,000	\$2,313,600	\$185,000	\$173,520
\$ 3,150,000	\$2,513,100	\$226,180	\$227,680
\$ 3,400,000	\$2,712,500	\$271,250	\$267,635

* This assumes the discount eligible billing will grow at the same rate as the V&T Revenue

** This is capped at 10% (but there is no cap on the discount eligible billing that it is applied to)

*** This includes both the discount savings and the AGIA

Please let me know if you concur and I will cover with Mike Birchler.

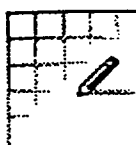
Thanks,

Doug



[REDACTED] V&T.d

000092

 Carrie Butler
10/05/98 08:46 AM

To: Randall Frame@BCI
cc:
Subject: V&T - [REDACTED]

Randy,

What do you think?

Carrie

To: Randall Frame@BCI, Carrie Butler@BCI
cc:
From: Douglas Heintz
Date: 08/13/98 03:58:25 PM CDT
Subject: V&T - [REDACTED]


Jim Stringer has requested a V&T Agreement for [REDACTED]. Attached is an outline of the key points to the agreement.

This account bills over \$11 million (including \$700K in annual CABS billing). 25% to 30% of the revenue is under contract now and the account has a [REDACTED]% contribution.

Based on the size of this account, I am recommending a 10% discount and a 10% AGIA.

Please let me know if you agree and I will cover with Jim.

Thanks,
Doug


V&T Key Points - [REDACTED]

000104

10/8/97

Business Issues

In response to [REDACTED] corporate direction of building strategic partnerships with key providers, BellSouth is pleased to respond to the Business Issues of [REDACTED]. At the request of [REDACTED] management, BellSouth has taken a global look at the BellSouth companies and has prepared this proposal for [REDACTED]. The proposal encompasses:

BellSouth Business Systems network services
BellSouth Communications Services equipment and management services

In order to address network, equipment and management requirements, BellSouth Telecommunications offers [REDACTED] an Integrated Management Services Agreement (IMSA) in lieu of the Master Service Agreement presented earlier in the year that only address the BellSouth network services. The IMSA provides a legal framework for [REDACTED] to build upon its present business relationship with BellSouth Companies.

Initially, the agreement will address only the BellSouth companies where [REDACTED] is presently securing products and services. These companies include:

BellSouth Business Systems
BellSouth Communications Services

This partnership would provide [REDACTED] the following savings:

\$125,000 annually (based on annual network services billing of \$2,040,300)
\$200,000 annually in additional savings on 350 Norstar purchases at \$766 ea.
\$120,000 annually the additional rebate on top of discounted prices
(based on proposed Norstars and management package)

\$445,000 Hard Dollar Savings

\$288,000 Productivity Gains *

\$733,000 Annual dollar Value

*** PRODUCTIVITY GAINS**

With managed services, additional savings will be realized because [REDACTED] telecom employees will concentrate on escalated issues, special projects, and corporate communications. Management of telecommunications for new stores and trouble resolution, tracking and reporting will be provided by the BellSouth's managed service team. Productivity gains by [REDACTED] are quantified at \$288,000 using a rate of \$75 per trouble ticket plus new store order. Over 3800 tickets are estimated based on statistics from Remedy over the last 10 months.

In addition, BellSouth will provide expertise in assisting [REDACTED] in all telecommunication matters by keeping [REDACTED] informed on network and equipment related solutions to address [REDACTED] ever changing environment. BellSouth will develop new applications, recommend integration of network and equipment solutions, and assist in cost control by evaluating present services. A strategic off-site meeting of [REDACTED] and BellSouth corporate executives is recommended on at least an annual basis.

BellSouth's Expansion into Other Areas

BellSouth currently plans to sell network services outside its current nine states. The process requires filing and approval in each state and at the federal level. The organization to manage BellSouth providing service in other operating areas is operational and the process has begun. The announcement was made in the Wall Street Journal and Atlanta Constitution on August 8, 1997. It will be at least twelve months before BellSouth will operate as a Competitive Local Exchange Carrier (CLEC). BellSouth will expand into other areas as we can deliver value to our customers with vertical products and services, for example: local, long distance and wireless packages. By partnering together, [REDACTED] will be in a strategic position to take advantage of BellSouth expansion into contiguous states initially, and then into other areas.

000171

Other BellSouth Entities

The structure of the agreement is also designed to allow [REDACTED] and BellSouth to negotiate additional volume and term agreements for other products and services from BellSouth Companies: example is BellSouth Mobility. The IMSA will also be the vehicle that [REDACTED] and BellSouth will use to add new products and services not currently offered by BellSouth companies. Examples of other services that may be added to the integrated family of services in the future include:

- Resell Local Exchange Services (in areas outside BellSouth territory)
- Long Distance
- Wireless Communications outside BellSouth territory

Other services that may be included under the IMSA are services of other companies that BellSouth might acquire which offer services that bring value to [REDACTED]. Each BellSouth affiliated company must negotiate a separate volume and term agreement with [REDACTED]. The Volume and Term Agreement can be added to the IMSA via an Addendum and a signature page.

Business Issues with BellSouth Business Systems

BellSouth Business Systems (BBS) proposes to enter into a long term agreement for three to ten years with [REDACTED]. BellSouth Business Systems is a regulated entity, therefore, the agreement with BellSouth Business Systems relates only to the billing of network services for the nine states where BellSouth is currently the primary local exchange carrier. These states include Tennessee, Mississippi, Louisiana, Alabama, North Carolina, South Carolina, Florida, Kentucky and Georgia. The agreement is based on billed revenue of network services for the year. BellSouth will apply a monthly discount to the regional summary bill based on the annual revenue commitment by [REDACTED].

BellSouth will provide billed revenue history to [REDACTED] on a monthly basis. BellSouth's revenue reports are available 45 days after a month end.

Discount Levels

Before the beginning of each contract year, [REDACTED] management can use these revenue reports to select a revenue commitment level and the associated discount. (See Appendix II from IMSA attached). The revenue attainment will be tracked and if [REDACTED] exceeds certain revenue commitment levels, then BellSouth will grant the appropriate discount for the level achieved.

Base Shortfall

If at the end of the year, the billed and paid revenue attainment falls below the committed billed revenue, BellSouth will bill [REDACTED] the difference in the discount applied and the level actually achieved.

Additional & New Services

Should [REDACTED] subscribe to an Additional or New Service, BellSouth will review the service and determine whether the service is eligible for a discount. If eligible, BellSouth will provide a discount under the V&T Agreement.

Rate Assurance

If an authorized carrier proposes local and intra LATA service in the nine BellSouth states that is comparable in service and support and is priced at least 20% or less, then [REDACTED] will notify BellSouth in writing and may provide copies of the proposal to BellSouth for review. BellSouth will evaluate the proposal and notify [REDACTED] within 7 days if BellSouth plans to respond with modified pricing. The modified proposal from BellSouth will be delivered within 30 days. If BellSouth offers a new proposal with rates within 15% of the competitive proposal, the V&T Agreement will remain in effect at the new rates. If BellSouth elects not to respond with a new proposal, BellSouth will reduce the Annual Revenue Base and commitment accordingly.

*than the
Total
commit.
billed &
over +
ANNUAL*

Acquisition of New Business

If [REDACTED] acquires a new business, BellSouth will review the acquired services to determine if the services can be included in the V&T Agreement. If so, the billed revenue will be factored into the current annual revenue commitment from the date the acquisition became effective.

000173

The billed revenue for the services listed below will qualify for a discount. These are the services that currently are eligible for discounting under the IMSA:

- Basis Business Service
- MegaLink Service
- MegaLink Channel Service
- Accupulse Service
- SynchroNet Service
- Hunting
- ISDN - Basic Rate Service
- ISDN - Primary Rate Service
- Network Access Registers (NARS) - MegaLink
- PBX Trunks and DID Services

Business Issues Related to BellSouth Communications Systems

BellSouth proposes to sell [REDACTED] the telecommunications equipment for all the new and redesigned stores, as well as the telecommunications equipment needs for the corporate locations. In consideration of a volume commitment at the beginning of the contract year, (see Appendix IIA of IMSA attached) BellSouth will accrue rebate credits for equipment purchases for the coming year. These rebates are over and above the discount levels identified in Appendix IIB of IMSA attached). The rebate can be applied to a single purchase or spread over multiple purchases. The rebate must be applied in the year following the year of accrual.

With a written minimum annual commitment of \$1,500,000 in BCS products and services, BellSouth will offer on site managed services for the stores and the corporate locations as outlined below:

Module 1

New Stores Coordination - Nationwide

- equipment ordering, staging and installation
- network ordering nationwide, and installation tracking

Module 2

Maintenance of Stores - Nationwide

- replacement procedures for damaged equipment
- help desk for network troubles
- help desk for equipment dispatch service

Module 3

Corporate Support for PBX's, adds, moves, changes and repairs

000174

If [REDACTED] enters into an Integrated Master Services Agreement for network services provided by BellSouth Business Systems and \$1,500,000 minimum equipment purchase with managed services agreement, a strategic single point of contact for BellSouth services will also be provided. This person will be assigned to [REDACTED] and will be available for meetings with [REDACTED] management. The Single Point of Contact will also serve as the Project Manager. BellSouth will co-locate personnel on site with the [REDACTED] team to address the managed service requirements by utilizing [REDACTED] Remedy tracking system. By utilizing the database and status of Remedy, the [REDACTED] team maintains all intelligence that [REDACTED] currently has today. BellSouth will also utilize the existing managed service team, located at the Memphis office, 6055 Primacy Parkway when demand dictates.

BellSouth's approach is to compliment the present operation... not radically change [REDACTED] operation.

Discounts and Rebates from BellSouth Communication Systems

[REDACTED] will receive the discounts and accrue the rebates based on a minimum of 350 Norstars with a minimum commitment of \$1,500,000.

As [REDACTED] exceeds the BCS revenue commitment, the appropriate discount percentages and rebate percentages will be applied. If [REDACTED] fails to reach the revenue commitment, the discount and rebates will be adjusted to reflect actual expenditures of equipment, installations, adds, moves changes, and managed services.

BellSouth's Scope of Work addresses the details of managing the following functions:

Ordering of Services for a New Store

- New Network Services
in the BellSouth Nine State Region
and throughout the continental United States
- Norstar Telephone Systems

Coordination of network and equipment orders to include status updates

Installation of the network and follow up on Equipment Installation

Final Check with Field Manager

Reporting and Dispatching for Equipment and Service Issues Nationwide

Corporate Support

APPENDIX II

BellSouth Telecommunications, Inc.
Annual Revenue Base

<u>Minimum Annual Revenue Base</u>	<u>Discount Level on Discount Eligible Services</u>	<u>Estimated Yearly Savings</u>
\$1,926,950	7.5%	\$114,172
\$2,040,300	8%	\$128,947
\$2,267,000	9%	\$161,184
\$2,493,700	9.5%	\$187,152
\$2,720,400	10%	\$214,912
\$2,947,100	10.5%	\$244,462
\$3,173,800	11%	\$275,803
\$3,400,500	11.5%	\$308,935
\$3,627,200	12%	\$343,859
\$3,853,900	12.5%	\$380,573
\$4,080,600	13%	\$419,078
\$4,307,300	13.5%	\$459,374
\$4,534,000	14%	\$501,460

A. Minimum Annual Revenue Base shall be equal to _____ (\$_____) for
 Contract Year _____.

000176

Draft 9/10/97

APPENDIX IIA

BellSouth Communication Systems, Inc.

<u>Minimum Annual Revenue Base*</u>	<u>Rebate Amount</u>
\$1,500,000	5%
\$2,000,000	6%
\$2,500,000	7%
\$3,000,000	8%

*Minimum Annual Revenue Base will be calculated based upon the total discounted price of all [REDACTED] purchases from BellSouth Communication Systems. This Revenue base will include new Norstar Key Systems, new Meridian equipment, all hardware and software, installation of equipment and fees associated with the separate Managed Services Agreement of the Scope of Work. (Discount price structure will be also be outlined in the Scope of Work.)

000177

BellSouth Scope of Work

Appendix A

Discount Schedule
(in addition to annual purchase rebate)

<u>Total Volume of Purchases</u>	<u>New Norstar Systems (Hdwe/Sw)</u>	<u>New PBX Systems (Hdwe/Sw)</u>	<u>Move, Add, Changes (MAC) Components (Hdwe/Sw)</u>
\$1,500,000	29%	27%	17.5%
\$2,000,000	30%	28%	18%
\$2,500,000	31%	29%	18.5%
\$3,000,000	32%	30%	19%

000178

Sheet1

[REDACTED] / BELLSOUTH		Each	Today	Proposed
Norstars	List			
1 KSU/RAD				
5 7208		195.00		
1 7310		214.00		
1 S/L Sets		35.00		
6 12' Cords		5.97		
1 Power Cont		102.00		
6 Line Cont.		13.00		
	3785.26		2737.34	2676.88
6 Wiring		71.28	427.68	
Electrical Damage for 2 years			54.00	54.00
Program, Install and Cross Connects			1155.00	1155.00
Totals	\$5,421.94		\$4,374.02	\$3,885.88
Plus				Minus
Shipping and Taxes Excluded				Rebate
				to be used
				for next
				year's
				equipment
				purchases
Warranty for two years				
	Rebate for 350 Norstars			\$68,003.00
	Rebate for Meridian Mail System			
	\$199,200			\$9,970.00
	Rebate on First \$1,500,000 commitment			\$77,973.00

* \$4374.02 Balances to Allison's confirmed pricing sheet used today for standard stores.

000179

To: Mary Delk @ BCI
cc: Bobby Brasfield @ BCI
From: Jon Alexander
Date: 06/09/97 06:15:06 PM EDT
Subject: [REDACTED]

Attached is the Volume & Term Agreement for [REDACTED]. Also attached is the Master Service Agreement as well as a revenue matrix based on April BRIS.

Key points

1. Approximately 84% of the services are discountable (Discount Eligible).
2. The discounts are applied to the Discount Eligible services on Appendix I.
3. The agreement is for 3 years.

Call me with any questions.

Good selling,

Jon
404-529-2663

 3k.  MSAT.sa  [REDACTED].W

Inu up end of each ==

000180

consultant

Current Status

- Price on Equipment - have two other vendor that they can buy the equipment from that is still 5% lower (even w/ rebate - ^{Why would we} "We won't buy any more equipment from Bell if they are not the lowest" Will not move on VM, or Roselle to get Sept 1
- No perceived value
- What Steve says he wanted "Strategic Partnership" he does not demonstrate - After calling his secretary, sending Emails + asking Cheri to setup a meet - I have not been introduced. Walked w/in 2 ft of me w/ Cheri + purposely walked on even tho I stopped Cheri
- Mike McConkey has never answered a phone message, Email or note asking for a chance to talk w/ him. Have caught him in the hall only a few times + forced interaction.
- Cheri usually says she is too busy to sit down even for a few minutes. In the 6 weeks - I've had 3-15 minute sessions Not included in any Mgmt or team mtgs.

Allison + Staff have now been told not to tell Ameritech or

BellSouth anything more. Allison did not know about Olive Allison looking for job would like to work for BellSouth + would be on Site vs. Maintenance (Switch only + T+M)

	1200 ports	\$45,000	
Annex	400 ports	\$10,000	000181
Summer	200 ports	was under warranty	\$5,000
proposed Roselle	>100 ports	will be under warranty	9,000
Centigram	VM - Will upgrade to MM. w/ warranty		
	54x75		

Ameritech

Business Term Proposal:

Total Roll up
for No Discount

Conference

Precludes getting into contract.

- Business terms first

- 9 out of 10 contractual relationships

- \$ term

how to buy -
when to get credit.

Wants Sweethear
Present what BS
can do. He

The much reg Cont
The much deny

term
discount level
include + exclude

5 years ago
Sales
3pac
150 po

7 years
↔ Discount levels - not changed significantly -

upper level not high enough

1. No want local BS everywhere

for year
wa
BBS portion

↔ Strategic relationship → only in 9 states

avg greater than 8% + spending less
overall.

Houston, Dallas, San Antonio -

message → Don't want to predefine the competitive
amount RBOC's, 10 carriers

Couple of Contradictions -

① Section 2 Annual Minimum

of actual billed

not paid

discount 3

B - Agree on yearly basis -
must review - billing &

Page 2

+ page 3

000182

Actual
get
go

Notes from meeting w/ [redacted]

IVAPA
Competitors - Pep Boys
Kerrin
Rusty Schwanfeld
TOP CPE Danny Helmsley

Copied: Ken Lewis
M.E. Apple
J. Lottin
K

5/15/97

Steve V. - Mike Mc - Ken T

- Strategic Vendor/Partner
- reduce from current 75% to ??
- Assist in running telecom nec
- Possible outsourcing of selected activities
- BST purchasing from [redacted]. What can we do from provisioning, ops?
fleet, trucks oil - Network Ops
who is in charge
- Outsource outside of BST states

Truck Miles
Network
Master Supplier
Agreements

000184

Corp. Direction

- = EDI capabilities/provisioning - Ken Verant
Club Bill EDI -
- * Commercial business → Retail in Store
growth area Commercial - 3 hrs
Saks Body Shops
Contracts
- 1) - Growth of new stores - contin. USA 5 mi
31 States - Mexico, World
- 3) - Merger/Acquisitions of other smaller
auto parts companies as a way to grow
to get into States or countries
- 4) - Intern'l. growth (espec. Mexico - Can
- own ops - partner w/ someone - "semi-f

Guarantee
w/ CIP wa

Mexico - [redacted] - Mexico Parts Truck Parts

To: Bobby Brasfield, Kenneth Lewis
cc:
From: Mary Delk
Date: 05/15/97 07:41:26 AM EDT
Subject: Meeting on 5-15-97

Johnston Adams - chn
Timothy Vargo - t

Mike and I worked on this late yesterday and he added one item to the list
Ameritech has offered to coordinate all network orders nationwide. [REDACTED] WANTS US TO
DO THIS WORK.

THE ULTIMATE OBJECTIVE IS TO GET STEVE VALENITNE TO COMMIT TO THE PARTNERSHIP
AND BRING US TO THE PLANNING TABLE. WE CAN DISCUSS THIS AT 9:30 TODAY. THANKS
FOR YOU HELP.

To: [REDACTED]
cc:
From: Mary Delk
Date: 05/12/97 09:13:58 AM EDT
Subject: Meeting on 5-15-97

Cheri Pinkston -

I have a few ideas for discussion when we meet this Thursday.

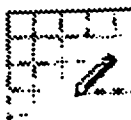
1. Partnering between BellSouth and [REDACTED] participant at planning table.
2. Master Contract for all services
3. One point of contact for region
4. Executive Sponsor with BellSouth
- * 5. Trial possibility for electronic ordering/repair status


These are just some topics that we have touched on in the past few weeks. Our managers need to hear
from you
the level of interest and commitment to specific issues. Let me know what you think...

000186

- Minimize # of vendors to deal with
- Bring ^{BBs} to planning table on their piece
- MSA agreement

-
- Corporate direction of company
 - Commercial customer plans
 - sh - how many where?

 Jon Alexander
09/10/97 03:16 PM

To: Linda Neff@BCI
cc:
Subject: 

Below are changes made to the V&T Agreement.

1. integrated V&T Agreement- page 1.
2. concept of Minimum Annual Revenue Base replaces the Annual Revenue Commitment- Section II, page 4 .
3. Discount Levels and how applied has changed - Section III, page 5. Also, deleted Annual Growth Incentive Award (AGIA).
4. term of Agreement is 10 years -page 2.
5. monthly status reports of billing -page 4.
6. Contract Year & Effective Date are the same- page 2 & 3

000187

7. Discount Level (Section III, page 5)- "during"; "other"
8. Regulatory Considerations - page 6
9. Base Shortfall - page 7, added Business Change, Higher Order of Service, Tariff Changes & Rate Assurance.
10. Discounting New/Additional Services- page 7,
before- "Customer may submit a request"
11. Acquisition of Business - page 8, time frame to respond (30 days)
12. Section VIII added, page 8
13. Business Change- Section XI, page 10; added "to reduce its overall use of telecommunications"
14. Rate Assurance added- Section XIV, page 11
15. True Up - quarterly progress report, page 12.
16. Appendix II- more granularity.
17. Deleted AGIA. Yet, more incentive to earn greater dollars.

000188

120 YEAR Agreement

Premier Customer Program

For



By

BellSouth Business Systems

01/29/97

000387

Prepared by:

Joe A. Butler Jr.

Premier Customer Program for

- **Try & Buy**

Voice Conferencing - Customers receive 250 free minutes of use

- **Network Optimization**

Analysis to determine the most efficient use of BellSouth Network services, network architecture, and mix of services that best meet your business needs.

- **Annual Quality Review**

Audit to review performance and identify areas where improvements are needed.

- **Annual Account Plan**

Mutually developed plan to assist you in meeting your corporate objectives via optimum use of telecommunications.

- **Term**

2-year contract

- **Discount**

4.0% on eligible services

- **Annual Growth Incentive**

1% additional discount on eligible services if billing has increased by more than 15% over previous 12 months.

2% additional discount on eligible services if billing has increased by more than 25% over previous 12 months.

- **Ability to add new services**

As BellSouth introduces new services, they may be added to your contract.

- **Continue same level of support**

You will retain the knowledge and experience of your BellSouth Account Team.

- **Business Flexibility**

Your Volume of Business commitment can be adjusted if you don't meet it because of Business Downturn, Higher Order of Service, or Tariff Changes. If BellSouth receives approval for a lower tariff rate, the new rate automatically applies. This insures minimum business risk and maximum program benefits.

000388

Financial Analysis

With Annual Revenue Growth = 15 %



	Base Period	Year 1*	Year 2*
Total Revenue	\$611,352	\$703,054	\$808,513
Total Discountable Revenue	\$540,048	\$621,055	\$714,213
Est. Savings from Discount of 4.00 %		\$24,842	\$28,568
Est. Savings from AGI = 1 %		\$6,210	\$7,142
Est. Total Savings for year		\$31,052	\$35,710

Est. total savings for 2 year(s) = \$66,763

000389

Financial Analysis

With Annual Revenue Growth = 25 %



	Base Period	Year 1*	Year 2*
Total Revenue	\$611,352	\$764,190	\$955,237
Total Discountable Revenue	\$540,048	\$675,060	\$843,825
Est. Savings from Discount of 4.00 %		\$27,002	\$33,753
Est. Savings from AGI = 2 %		\$13,501	\$16,876
Est. Total Savings for year		\$40,503	\$50,629

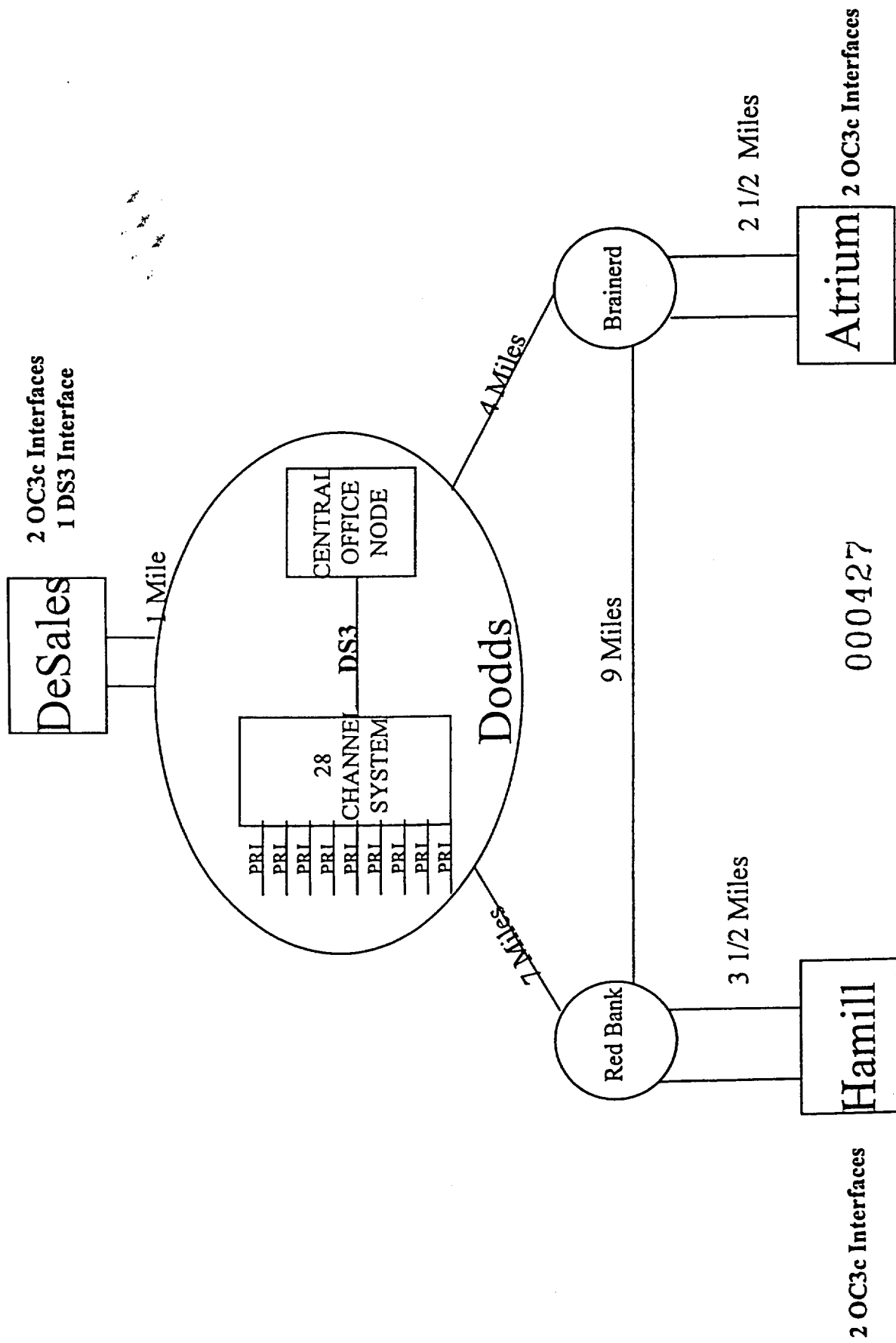
Est. total savings for 2 year(s) = \$91,133

000390

ITEM	QTY	USOC	INSTALLATION	M-M	12-36	37-60	61-96
LOCAL CHANNEL MILEAGE RATES:							
PER LOCAL CHANNEL (FCC)	0		\$0.00				
PER LOCAL CHANNEL (GSST)	6	1HC1X	\$3,210.00				
PER QUARTER AIR MILE (FCC)	0			\$0.00	\$0.00	\$0.00	\$0.00
PER QUARTER AIR MILE (GSST)	56	1HC2X		\$5,320.00	\$4,760.00	\$4,200.00	\$3,920.00
ALTERNATE CENTRAL OFFICE CHANNEL MILEAGE RATES:							
PER ALTERNATE C. O. CHANNEL (FCC)	0		\$0.00				
PER ALTERNATE C. O. CHANNEL (GSST)	0		\$0.00				
PER QUARTER AIR MILE (FCC)	0			\$0.00	\$0.00	\$0.00	\$0.00
PER QUARTER AIR MILE (GSST)	0			\$0.00	\$0.00	\$0.00	\$0.00
INTEROFFICE CHANNEL MILEAGE RATES:							
PER CHANNEL FIXED OC-3 OR OC-12 (FCC)	0		\$0.00				
PER CHANNEL FIXED OC-3 OR OC-12 (GSST)	5	1HFFX	\$1,025.00				
FIXED OC-3 CAPACITY (FCC)	0			\$0.00	\$0.00	\$0.00	\$0.00
FIXED OC-12 CAPACITY (FCC)	0			\$0.00	\$0.00	\$0.00	\$0.00
FIXED OC-3 CAPACITY (GSST)	0			\$0.00	\$0.00	\$0.00	\$0.00
FIXED OC-12 CAPACITY (GSST)	5	1HFFX		\$725.00	\$650.00	\$575.00	\$525.00
PER QUARTER AIR MILE OC-3 CAPACITY (FCC)	0			\$0.00	\$0.00	\$0.00	\$0.00
PER QUARTER AIR MILE OC-3 CAPACITY (GSST)	0			\$0.00	\$0.00	\$0.00	\$0.00
PER QUARTER AIR MILE OC-12 CAPACITY (FCC)	0			\$0.00	\$0.00	\$0.00	\$0.00
PER QUARTER AIR MILE OC-12 CAPACITY (GSST)	136	1HGFX		\$6,800.00	\$6,120.00	\$4,760.00	\$4,080.00
INTERNODAL CHANNEL MILEAGE RATES:							
PER INTERNODAL CHANNEL-SAME WIRE CENTER (FCC)	0		\$0.00				
PER INTERNODAL CHANNEL-SAME WIRE CENTER (GSST)	0		\$0.00				
PER QUARTER AIR MILE (FCC)	0			\$0.00	\$0.00	\$0.00	\$0.00
PER QUARTER AIR MILE (GSST)	0			\$0.00	\$0.00	\$0.00	\$0.00
CUSTOMER NODE(PER CUSTOMER NODE):							
OC-3 CAPACITY INITIAL (FCC)	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OC-3 CAPACITY (GSST)	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OC-12 CAPACITY INITIAL (FCC)	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OC-12 CAPACITY (GSST)	3	SHHC1	\$1,560.00	\$10,200.00	\$8,700.00	\$8,100.00	\$7,200.00
CUSTOMER CHANNEL INTERFACE(PER CUSTOMER NODE):							
PER DS1 ON OC-3 FCC	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PER DS3 ON OC-3 FCC	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PER OC3 ON OC-12 FCC (4 FIBER)	0	SHN15	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PER OC3 ON OC-12 FCC (2 FIBER)	6	SHN1D	\$1,140.00	\$1,440.00	\$1,140.00	\$1,050.00	\$960.00
PER DS1 ON OC-3 GSST	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PER DS3 ON OC-3 GSST	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PER DS3 ON OC-12 GSST	1		\$220.00	\$170.00	\$135.00	\$130.00	\$120.00

CENTRAL OFFICE NODE(PER CENTRAL OFFICE NODE):							
OC-3 CAPACITY INITIAL (FCC TARIFF)	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OC-12 CAPACITY INITIAL (FCC TARIFF)	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OC-3 CAPACITY INITIAL (GSST TARIFF)	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OC-12 CAPACITY INITIAL (GSST TARIFF)	1	SHJH1	\$520.00	\$2,600.00	\$2,200.00	\$2,000.00	\$1,750.00
CENTRAL OFFICE CHANNEL INTERFACES							
PER DS1 ON OC-3 FCC	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PER DS3 ON OC-3 FCC	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	1	SHN04	\$175.00	\$425.00	\$330.00	\$300.00	\$270.00
Per 28 DS1 Channel System GSST	1	SHNW8	\$270.00	\$650.00	\$550.00	\$500.00	\$450.00
Per DS1 on 28 DS1 Channel System GSST	11	SHHCA	\$2,695.00	\$132.00	\$88.00	\$77.00	\$66.00
PER DS1 ON OC-3 GSST	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PER DS3 ON OC-3 GSST	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
PER DS3 ON OC-12 F GSST	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
THER E IS NO OC3 INTERFACE IN THE GSST TARIFF							
Total of SmartRing Cost			\$10,815.00	\$28,462.00	\$24,673.00	\$21,692.00	\$19,346.00

000426



Sala

To: JAN TYGRET
cc: Kay Atkins, Vicki Donaldson, Larry J Gunter
From: Thomas R. Gaskins @ O1=AL/O2=BRHM08 @ omgw @ BLS
Date: 01/25/97 03:04:17 PM ZE6
Subject: [REDACTED]

The analysis for [REDACTED] has been completed. All Service Categories produced positive contribution. The analysis was performed in Florida, Georgia, Kentucky, Louisiana, North Carolina and Tennessee only, using the requested 6% discount. If any additional states other than these are to be offered the discount, please let me know immediately so that we can perform the analysis again. Likewise, if any of these state where the analysis has been processed will not be offered the discount, please let me know so that we can perform the analysis again.

During the analysis in Tennessee, \$722 of revenue (USOC s: LPSMX, LTBLB) in the IR category, ISDN Individual Line, was moved to the IB category, ISDN Individual Line, changing it from discount restricted to discount eligible. Also in Tennessee, \$69 of revenue (USOC: CSN6X) that was not assigned to a category was assigned to the DD category, Connectionless Data Service (in lieu of Dataphone), changing it from discount restricted to discount eligible. Again in Tennessee, \$217.50 of revenue (USOC: WRRXU) in the B category, Msg/Meas Rate Bus, was moved to the SA category, Special Assembly, changing it from discount eligible to discount restricted.

The remaining items still required for this customer are:

- 1) Volume & Term CSA cases in SAMS with associated competitive documentation for Florida, Kentucky, Louisiana, and North Carolina
- 2) Items per Vicki Donaldson's 'Premier Customer Program Sales Checklist'

- Copy of the Customer Worksheet (How To Determine Annual Revenue Commitment)

- Copy of signed Master Services Agreement

- Copy of signed Premier Customer Agreement including the Discount Table page and the Addendum page (if the customer is receiving service enhancements)

If you have any questions, please contact Larry Gunter (205)977-2515 or me at (205)977-0358.

Thanks!

Tommy

000577

John Buchanan
08/12/97 02:48 PM

To: Jon Alexander@BCI
cc: Roger D Smith@BCI, Robert Baldwin@BCI
Subject: [REDACTED]

The ESSX clusters for the [REDACTED] are based on Regular Tariff prices. There are no CSAs other than for a small number of stations that are outside of the tariffed mileage bands.

I have had some time to think about this and I don't understand why the contribution for these accounts would be any different than other commercial accounts that are already under V & T agreements. Since negotiations for the [REDACTED] agreement started almost a year ago, why are we finding out that this may be problem AFTER the customer signed the contract.

I really do not want to have to go back to the customer and revise the contract in any way. It has taken a long time to get to this point and it will probably have to cross 5-6 people's desk to get the proper initials. As we discussed, the customer is in a budget crunch and we have increased their billing by about \$1,800 per month with the FCC access charge increase. We need to work thru the filing process as expeditiously as possible to minimize the impact of this and satisfy the customer.

Have you been able to check with Accounting/Finance to determine if an error was made in doing the analysis? If so, give me call ASAP to let me know what you found out. If it sounds like we'll have to go back to the customer, I'll need to go to my Sales Manager, Robert Baldwin, to see if we can escalate it.

One final question I have is whether or not an analysis has been done for the V & T we are working on for the [REDACTED] account. It will be interesting to find out the results, because the ESSX service in that account is priced out of the same tariff as [REDACTED]

Thanks for your help !!!

000592

Jon Alexander
08/25/97 12:57 PM

To: Roger D Smith@BCI
cc: John Ross@BCI, Robert Baldwin@BCI, Jeff Fox@BCI, Mike Smith@BCI, John Buchanan@BCI
Subject: [REDACTED]

Attached is the V&T Agreement for [REDACTED].

Only 33% of the revenue is Discount Eligible. Because the Discount Eligible services make up only 33% of the revenue commitment, the Discount Eligible discounts are higher than normal. The discounts start at 13.9%. We want to make sure we are all in agreement in discounting these certain services at this level. For this reason we will have a conference call tomorrow night at 7:30 eastern time. The bridge is 1-888-206-3246.

Key points:

1. The revenue commitment has been lowered 12% to reflect their annualized purchase volume of \$2,754,000.
2. There are two categories of service, Category A and Category B, each having separate discounts.
3. The Discount Eligible services are listed on Appendix I.
4. The Discount Eligible discounts are on Appendix II.

Regards,

Jon



000593

Roger D Smith
09/25/97 04:10 PM

To: Jon Alexander@BCI
cc: John Buchanan@BCI, Robert Baldwin@BCI
Subject: [REDACTED]

I appreciate the information for the V&T for [REDACTED] and I agree this is the correct information for this customer. I have one further request. In my last memo I asked for the 1yr. V&T that you have provided but I also asked for pricing if the customer kept the V&T for the second year. What my idea was, is to encourage them to keep the agreement for the second and third year by increasing the percentage of return on those two years, one year at a time. Example:

Yr. 1	6.7% discount or \$57,840
Yr.2	? \$87,900
Yr.3	? \$118,400

If the customer signs a 3 yr. agreement up front then of course they receive the highest level discount all three years. If They sign the agreement the way it has been updated they would sign a 1yr. with 2yr options. If they stay for the second year they get a higher discount, if they stay for the third year they get another higher discount for that 1 yr.

Please let me know if this is possible!!! our timing is good at this moment due to meetings we are holding with the customer to develop their long range plan.
Thanks

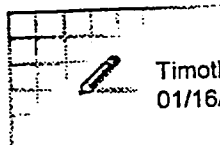
Dale

To: Roger D Smith
cc: John Buchanan
From: Jon Alexander
Date: 09/23/97 07:10:02 PM EDT
Subject: [REDACTED]

Attached are Volume & Term Agreements for [REDACTED] that provide them two options. One is a 3 year agreement, the other a 1 year agreement. Both are very much (and more) consistent with other offers relative to term, volume and profitability.

I have highlighted any changes (other than Appendix I & II) in red.

000594



Timothy Norwood
01/16/97 09:11 AM

To: Jon Alexander
cc: Wanda Page, James Stringer
Subject: [REDACTED] MSA

Jon:
What is the status of reducing the termination liability on the MSA for [REDACTED]? Per the attached memo, I feel that we need to lower the penalty. In looking at the entire "pie," should [REDACTED] cancel services through BellSouth, they will incur hefty penalties on the individual contracts **even without the MSA.**

Please get back to me with an update. Thanks!
Tim

To: Jon Alexander
cc: Wanda Page, James Stringer
From: Timothy Norwood
Date: 01/13/97 11:43:00 AM EST
Subject: [REDACTED] MSA

Jon:
Hope you are doing well so far in '97. I wanted to get back with you regarding our V&T (MSA) proposal to [REDACTED]. As you and I have discussed, we recast most of their BellSouth services back in the third quarter of '96 for 36 or 49 months (depending on the service). The big obstacle preventing [REDACTED] from signing the MSA today is the termination liability. They have stated that they intend to stay with BellSouth and have no intentions of canceling the contracts on the existing services (ESSX, SMARTPath, PRI ISDN, SynchroNet). There is a termination penalty associated with each BellSouth contract on these services. However, [REDACTED] feels that because of these termination penalties associated with each service, the termination penalty on the MSA should be lower.

I have done some calculations on the services that we currently have under contract at [REDACTED]. Based on the termination penalties on these contracts I share [REDACTED] concern that they would be "double gigged" in the highly unlikely event of an early termination on an MSA. For example, if [REDACTED] enters into a 36 month MSA agreement with an effective date of 2/01/97, but they cancel ALL service through BellSouth at the conclusion of Year 1 on 2/01/98, their termination penalties would be as follows:

\$938,000	Contract termination penalties (ESSX, SMARTPath, PRI ISDN, SynchroNet)
<u>\$775,000</u>	MSA cancellation penalty at end of Year 1
\$1,713,000	TOTAL TERMINATION PENALTY

[REDACTED] understands that the individual contracts and the MSA agreement are two different issues, but they do not feel that we should have such hefty penalties. My contact tells me that if we can get the MSA penalties more like the following, we can continue with negotiations:

\$266,000	Year 1
\$134,000	Year 2

Please review this, and let me know what we can do to move ahead. I know that you are concerned with the MSA piece, but we have to look at the whole picture. We are also interested in more information on

Timothy Norwood

07/14/97 10:50 AM

To: Jon Alexander@BCI
cc: Wanda Page@BCI
Subject: Updated Forecast for [REDACTED]

Jon:

Hope you had a good weekend. As promised, attached is an updated forecast for [REDACTED]

123
[REDACTED]

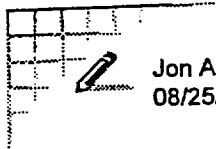
Due to the extremely competitive climate here in Memphis and specifically at [REDACTED], the forecast for "Business As Usual" depicts the majority (and eventually) all revenue being lost by BellSouth and going to a competitor if we do not secure an attractive long term V&T contract with [REDACTED]

I have tried, to the best of my knowledge, to show revenue growth for [REDACTED] based on them signing a V&T contract with us. You will notice that the revenue forecast for CDS, SynchroNet, and Special Assembly decrease even on the V&T. Additionally, you will notice that I have plugged in revenue figures for Frame Relay. As we have discussed, we are in the process of implementing a new Frame Relay network regionwide for [REDACTED]. We will eventually disconnect all CDS circuits from [REDACTED]. Additionally, we will be decreasing the size of the SynchroNet network as we better optimize the new Frame Relay network.

Anyway, I do hope this helps. Wanda and I appreciate your work and support on this project. If you need additional info, please let me know.

Thanks!
Tim

000630



Jon Alexander
08/25/97 12:57 PM

To: Roger D Smith@BCI
cc: John Ross@BCI, Robert Baldwin@BCI, Jeff Fox@BCI, Mike Smith@BCI, John Buchanan@BCI
Subject: [REDACTED]

Attached is the V&T Agreement for [REDACTED]

Only 33% of the revenue is Discount Eligible. Because the Discount Eligible services make up only 33% of the revenue commitment, the Discount Eligible discounts are higher than normal. The discounts start at 13.9%. We want to make sure we are all in agreement in discounting these certain services at this level. For this reason we will have a conference call tomorrow night at 7:30 eastern time. The bridge is 1-888-206-3246.

Key points:

1. The revenue commitment has been lowered 12% to reflect their annualized purchase volume of \$2,754,000.
2. There are two categories of service, Category A and Category B, each having separate discounts.
3. The Discount Eligible services are listed on Appendix I.
4. The Discount Eligible discounts are on Appendix II.

Regards,

Jon

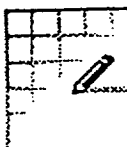



- can we absorb an additional 16% to 21% for Reale S

000894

351-5693

376-5693

 Kay Atkins
07/11/97 10:11 AM

To: Wanda Page@BCI
cc: Kay Atkins@BCI, Diane W Wilson@BCI, Patricia Brotherton@BCI, Carrie Butler@BCI, Jon Alexander@BCI, Timothy Norwood@BCI, Rebecca Pendergrast@BCI, Johnnie Simmons@BCI, Nancy Underwood@BCI, Lynne Fraas@BCI
Subject: Re: [REDACTED] MSA 

Please see my responses below in BLUE.

To: Kay Atkins@BCI, Diane W Wilson@BCI, Patricia Brotherton@BCI, Carrie Butler@BCI, Jon Alexander

To: Kay Atkins@BCI, Diane W Wilson@BCI, Patricia Brotherton@BCI, Carrie Butler@BCI, Jon Alexander@BCI
cc: Timothy Norwood@BCI, Rebecca Pendergrast@BCI
From: Wanda Page
Date: 07/10/97 05:08:59 PM
Subject: [REDACTED] MSA

[REDACTED] has requested a meeting on Tuesday, July 15, to discuss the implementation of the MSA/V&T. In preparation for that meeting, I need clarification on several issues.

1. How are we going to roll all discounts to the one CLUB
We will set it up that way in the Quantum system.

2. Can we have a new DI for these discount amounts on the CLUB
The discounts are shown as a credit on the OC&C statement of the Club bill. The phrase code is "Reward Under Total Billed Revenue Commitment Plan".

3. What happens if a specific earning number has both "discount eligible" and non-discounted services/USOCs

(MegaLink is not a discounted USOC, but other services associated with the MegaLink are discountable)

In Quantum, we do not discount based on USOCs. We discount based on Total Billed Revenue. The calculations done internally is based on the business case and eligible versus non-eligible services. We then show a "Effective Discount Rate" in Quantum rather than the actual percentage shown on the contract. Then at annual true-up, any discrepancies are corrected.

4. What is the normal time lag between signing and approval by TRA
35 days from the actual file date.

5. What is the effective date of the discounts...and if the TRA has not approved, will we have to manually adjust the bill each month?
The [REDACTED] contract date is shown as 6-6-97 which would mean that we have 60 days from that date to implement. If for some reason we have not then a manual adjustment (form 9156) would need to be done by the account team. I will include a copy of those procedures.

6. How do we assure that all mechanized R orders that kick out as errors are corrected and who verifies the bill to make sure the discounts are as represented to the customer? We are looking at 4 states with approximately 85% of all EN in Tennessee.

The Taskmate process that Carrie Butler sent in for this customer identified a CSA (Customer Service Associate) name and number for all errors to fall out to for correction. This CSA is responsible for error

In a competitive situation, we **MUST** be able to readily produce one of the above documents, or we will not be able to enforce termination charges. I am understanding from the BSG that this has already become an issue and that customers are refusing to pay if we cannot produce signed documents.

For orders involving Special Assemblies or CSA's (for service-specific discounts, not for Volume and Term) , I am a little less clear about the paperwork that should be provided under the MSA arrangement. Here is what I think should be required for SA's/CSA's:

- * A signed Special Assembly agreement or a signed and approved CSA agreement for the service being ordered, **OR, if under an MSA...**



- * A signed MSA Agreement with an assigned MSA number along with a signed Special Assembly or CSA contract for the service being ordered. The customer records will reflect the ZMSA and the CSA CN number in the bill section and the Special Assembly or CSA contract number next to each applicable USOC in the S&E section.

- * If the request is to add service under an MSA using existing Special Assembly or CSA, then it seems that we should be provided with an Order Attachment that references the existing MSA number and references the existing CSA or Special Assembly number in the section where it asks for "Tariff Reference".

The bottom line is that it is not acceptable for sales teams to send requests without proper documentation under any conditions, MSA or not. As a matter of good business practice, for any new installation or large addition, we should always have something that shows that the customer has been advised of the charges for a particular order and has accepted those charges. Yes, we can be easier to do business with by reducing the number contracts required, but this does not replace the need to be able to properly support the contractual terms we are showing in our records. This will be increasingly important as our competitors encourage our customers to "unhook" their contracts with BellSouth.

It is apparent that the sales teams do not know what they are supposed to provide, and even those of us who thought they understood the MSA process did not have the whole picture. This is not rocket science, but the procedures **MUST** be documented for those who have to issue the orders. **Given all of the changes involving the MSA process and the recent flurry of activity, I recommend that someone publish a "Contract Administration" document that covers Special Assemblies, CSA and MSA and all of the variations therein. I am going to redistribute the MSA M&P's (dated 9/96) to our organization; however, I have reviewed this document and feel that it is still lacking in the detail needed such as documentation required for order issuance.**

We need some direction as to what action needs to be taken to clean up any accounts which we have implemented without the MSA information.

To: Jan Boud
cc: Steve Bevels, Tony Cutright, Nancy Underwood, Johnnie Simmons, Mike Smith, Angela Thompson, Rebecca Pendergrast, MargaretAnn Pritchard
From: Kay Atkins
Date: 02/11/97 04:59:19 PM EST
Subject:  Re:  MSA

000916

Jan,

I have been the one working with Steve Bevels on this MSA request and will provide the responses to

BellSouth's Custom Service Arrangement, essentially because the service is not free.

During the customer meeting today, the customer indicated that they were considering the following actions:

- 1) [REDACTED], CEO, call Governor Don Sunquist
- 2) [REDACTED], CEO, call a BellSouth Executive (DeWitt Ezell, Dick Anderson, Jere Drummond)
- 3) Subscribing to service provided by US LEC, a BellSouth reseller

This customer wants to do business with BellSouth and has purposely avoided even meeting with competition in the past. We are working diligently to control perceptions and expectations so that none of the actions listed above are taken. However, I just wanted you to be informed in case this customer did decide to make calls to you.

Jerry, would you please forward this, or in your own words make DeWitt aware of this ?

Thank you.

Lotus Notes message signature details could not be determined.

000936

Florida:

ACSI, Alternet, AT&T, ICI, KMC Telecom, LCI, LDDS Worldcom, MCI, MFS, Sprint, TCG, Time Warner and Winstar Wireless

Georgia:

ACSI (Columbus), AT&T, MCI, MediaOne (Atlanta), MFS and Palmettonet (Savannah)

Kentucky:

ACSI, AT&T, ICG, ICI, Louisville Lightwave and Sprint

Louisiana:

Brooks Fiber (BatonRouge), ACSI (5ESS), Cox Fibernet (DMS100) and MFS (New Orleans), KMC (Baton Rouge and Shreveport). *In Louisiana, the account teams must provide specific competitive information.. Use direct quotes from the customer, such as a description of what services have been offered by (or purchased from) a competitor. Also, keep in mind, that with multi-state accounts, the competitive threat may be found in other states. If, at the customer's headquarters location in another state, a competitive service has been offered, the account team may want to offer a multistate discount. This information should be part of the competitive documentation.*

Mississippi:

ACSI and Brooks Fiber (Jackson), Interstate Fibernet (Biloxi, Jackson). *The Mississippi Commission has approved local service competition.*

North Carolina:

Time Warner (Raleigh, Greensboro, Charlotte), ICG (Charlotte), AT&T and MCI (Raleigh initially), ICI (Raleigh) and BTI/FiberSouth (Raleigh)

South Carolina:

ACSI, AT&T and ICI

Tennessee:

ACSI and Brooks Fiber (Chattanooga & Knoxville), AT&T, Hyperion (Nashville), ICI, LCI, MCI, NextLink (Memphis & Nashville), Sprint, Time Warner (Memphis) and Winstar Wireless (Memphis & Nashville)

000941

or for a customer's documented business downturn. Typical variations in V&T termination charges, listed in no particular order, are:

- termination charges which recover the _ discounts which were given to the customer in advance of meeting any revenue commitments.
- termination charges which equal the remaining amount of revenue committed through the contract expiration date.
- termination charges which recover the _ discounts which were given to the customer in advance of meeting any revenue commitments plus charges which equal the remaining amount of revenue committed through the contract expiration date.
- termination charges which recover the _ discounts which were given to the customer in advance of meeting any revenue commitments plus a percentage of the remaining revenue commitment.
- for some _ customers _ 20% of the annual revenue commitment is defined as the termination liability in year one, 10% of the annual revenue commitment establishes the termination in year two. Termination liability does not apply in year three however, a commitment shortfall will apply if the year three revenue commitment is not attained.
- for _ other customers, 2 1/2 times the anticipated discounts is used to determine the termination penalty in year one and something less in year two. In year three only the shortfall penalty may be applied.

What are acceptable alternatives for Volume and Term contracts?

In response to this question, the following is offered for consideration:

- Termination charges are an industry standard used by BellSouth and its competitors including AT&T, Sprint, MCI, etc.
- It is highly improbable that any of our competitors would waive or otherwise significantly alter these charges in order to allow their customers to freely move services from one competitor to another.
- V&T termination charges are considered equitable by the customers who negotiate the agreement.
- To waive V&T termination charges reduces the value of the contract instrument and contracting in BellSouth.

At minimum, V&T termination charges should be assumed by the reseller who accepts administering the terms and conditions of the contract in all BST states covered by the contract. Customers should be required to pay the termination liability if their selected reseller refuses to assume the contract liability or if they are moving their service off of the BST network.

1001183

To: Michael Corley, James Stringer, Paul Alsup, Bobby Brasfield, Pat Mello, Wanda Page, John Ross, David Pendergrast, Alan Hill, Rod Lewis, Michael Hayden, Wade Wellman, Suzanne Davis, Michael Bowling, Kenneth Lewis, Bill Ray, Rusty Rhodes
cc: Jon Alexander, MargaretAnn Pritchard, Randall Frame, Jan Tygrett, Billy Hatmaker
From: Jan Boud
Date: 08/06/96 03:48:25 PM
Subject: MSA

I have received voice mails from Jon, who has clarified answers to the questions below. (See answers in **BOLD** print)

The following customers are in the "MSA Funnel", per Jon:

[REDACTED]

[REDACTED]

To: Jon Alexander
cc: Michael Corley, James Stringer, Paul Alsup, Bobby Brasfield, Pat Mello, Wanda Page, John Ross, David Pendergrast, Alan Hill, Rod Lewis, Michael Hayden, Wade Wellman, Suzanne Davis, Michael Bowling, MargaretAnn Pritchard, Bill Ray, Kenneth Lewis, Rusty Rhodes
From: Jan Boud
Date: 07/31/96 04:11:13 PM
Subject: MSA

Any progress in addressing these concerns, Jon?

To: Jon Alexander
cc: Bill Ray, Wade Wellman, Suzanne Davis, Michael Hayden, Michael Bowling
From: Jan Boud
Date: 07/22/96 07:23:34 PM
Subject: MSA

Thanks so much for meeting both with our management team and with our account teams today to present MSA, and more specifically, Volume & Term Agreements. We are better informed now than we were yesterday; and hopefully our questions were helpful, too, in clarifying some of the field's concerns.

Some of the areas of concern, no doubt, have already been addressed; but communication back to the field will give us a better understanding and will help us be more successful in our sales efforts. I would appreciate your further review and clarification on some of those we discussed today:

1. Are the "Objectives" set out in your presentation actual, hard numbers? Will the field be held accountable for ensuring that 50% of BBS revenue is under a volume & term contract by end of year 1996? Is your group, Regulatory, Pricing, and Customer Operations prepared for that work load?

ANSWER: Customer retention is a hot button of Dick Anderson. Jon does not know of any specific quota at this time; but a "revenue under contract" goal is probable at some point.

2. Who is bringing Regulatory in on this? Although Regulatory issues were not concerns in previous work assignments for you, they are definitely a concern in the field. Do we have buy-in from Regulatory? Are they aware of and in support of this program? To whom do we send our local Regulatory folks if they have questions/concerns?

ANSWER: Regulatory and Legal are involved in this process. Contacts are:

> Regulatory:

Jerry Dick, Dir. (205-977-2100)
Ferrell Skinner, Dir. (205-977-1550)

> Legal:

Larry Gill, VP/Gen. Council (404-235-3770)
Shirley Ransom, Gen. Council (404-335-0761 or 404-614-2063)

3. Is Kay Atkins advising the Customer Operations of the additional work about to descend upon them? The time frames we have been given to input the PNC MSA is 5-6 months, in order to do it without incurring overtime. This is not acceptable; and the problem will only get worse as more of these MSAs are implemented.

3) TBD

4. There isn't much that you can do to positively affect BRIS, Jon. We will do our best to "clean up" BRIS. But our experience is that, even though it may be clean this month for a specific customer, it could be full of errors next month. That is why we are wondering if you can extract reports and make manual adjustments for CLACs that are not related to a TIE Code.

ANSWER: There can be no manual adjustments for BRIS because Jon doesn't have the capabilities to do this. Therefore, BRIS must be cleaned up prior to sending down to him.

Because I will be Billy Hatmaker's SPOC for MSA, I would appreciate knowing when one of our customers has gone through the volume-and-terms-of-agreement process, especially if there is a SA/CSA involved. We could benefit from what that account learned and did. (I know UPS has completed one; are there others?)

As you suggested, when you make future presentations, perhaps an overview of the "MSA umbrella" would be helpful. I know you don't handle the efforts being undertaken by Marvin Davis; but as you learn more about his focus, you might include some of that information in your remarks, to help put your Volume & Terms of Agreement in perspective.

Thanks, again, for your help. Don't hesitate to call me (502-327-5920) if there is something we can be doing for you in the field.

001194

To: Michael Corley, James Stringer, Paul Alsup, Bobby Brasfield, Pat Mello, Wanda Page, John Ross, David Pendergrast, Alan Hill, Rod Lewis, Michael Hayden, Wade Wellman, Suzanne Davis, Michael Bowling, Kenneth Lewis, Bill Ray, Rusty Rhodes
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Date: 07/22/96 07:23:34 PM
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Some of the areas of concern, no doubt, have already been addressed; but communication back to the field will give us a better understanding and will help us be more successful in our sales efforts. I would appreciate your further review and clarification on some of those we discussed today:

1. Are the "Objectives" set out in your presentation actual, hard numbers? Will the field be held accountable for ensuring that 50% of BBS revenue is under a volume & term contract by end of

001228

year 1996? Is your group, Regulatory, Pricing, and Customer Operations prepared for that work load?

ANSWER: Customer retention is a hot button of Dick Anderson. Jon does not know of any specific quota at this time; but a "revenue under contract" goal is probable at some point.

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Thanks, again, for your help. Don't hesitate to call me (502-327-5920) if there is something we can be doing for you in the field.

level of knowledge on all of these. Do your best to make a judgment call.

It is not necessary to involve the account teams. As a matter of fact, I would prefer you don't; they will get their opportunity to actually work the list soon. I'm just looking for another pair of eyes to check HQ's list.

RESPONSE

If you see **blatant** errors of inclusion of a customer that is obviously outside the guidelines, let me know. If you know of customers that fall within the guidelines that is obviously omitted, let me know. I will need your comments back by the end of this week.

Also, you'll note that the actual modules don't start till around line 69, so don't give up on scrolling down the list.

THIS IS A FLUID LIST – WE CAN ADD AS THE ACCOUNT TEAMS UNCOVER QUALIFIED OPPORTUNITIES. HOWEVER, EACH ADDITION WILL NEED TO BE REFERRED TO ME (& JEFF FOX) FOR BUSINESS CASE REVIEW. (This may change after we receive additional training tomorrow and Thursday; but for now, those are the guidelines we've been given.)



PBX3CUST.

001231

6) How often is the discount applied (monthly, quarterly, semi-annually, annually)?

7) Competitors are talking to our customers of discounts in the 17-20% range. Are we going to be able to get close to that discount to compete? *(25% in Tenn. for now for resale)*

8) What happens if a customer disconnects products/services that were used to determine the total discount? If the customer still maintains the overall revenue commitment, can they disconnect any service?

MULTI-STATE ISSUES

9) If a customer signs an MSA and has locations in all 9 states, will the same discount apply for a specific USOC in all 9 states?

10) Is an Order Attachment required for each product by state?

11) Will separate PSC filings have to be made (and separate approvals obtained) in each state affected by the MSA?

12) Who is responsible for putting the individual PSC packages together? - BST Finance -

13) What will handle when we have flexible pricing for given prod/svc. when we have "Price Regulation" tariffs?

14) Can we include BSM, BCS or other BST subid in the total Rev. commitment? Working on this option for future (Nov.-96-??)